

**Bienville Parish Tax Agency Fund
of the Bienville Parish School Board
Arcadia, Louisiana**

**Financial Statement
as of and for the Year Ended June 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/26/11

**Bienville Parish Tax Agency Fund
of the Bienville Parish School Board**

Table of Contents

	Page(s)
Statement of Fiduciary Assets and Liabilities	1
Notes to the Financial Statement	2-4
Independent Auditor's Report	5
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	6-7
Schedule of Findings and Responses	8
Summary Schedule of Prior Year Findings	9

**Blenville Parish Tax Agency Fund
of the Blenville Parish School Board**

**Statement of Fiduciary Assets and Liabilities
June 30, 2010**

Assets

Cash	\$	181
Accounts receivable - sales tax vendors		4,145,237
Restricted cash		<u>333,382</u>
Total assets	\$	<u>4,478,800</u>

Liabilities

Deposits due to others	\$	4,145,237
Accounts payable		<u>333,563</u>
Total liabilities	\$	<u>4,478,800</u>

The notes to the financial statement are an integral part of this statement.

**Bienville Parish Tax Agency Fund
of the Bienville Parish School Board**

**Notes to the Financial Statement
June 30, 2010**

Note 1 Summary of Significant Accounting Policies

The Bienville Parish Tax Agency Fund (Tax Agency) has been formed under joint agreement of the Bienville Parish School Board (School Board), the Bienville Parish Police Jury, the City of Arcadia, the Town of Gibsland, the Town of Ringgold and the Village of Castor for the collection of sales, use taxes and other fees, in accordance with Louisiana Revised Statutes 33:2844. The Bienville Parish Tax Agency charges the joint governments a collection fee of 1.5% of total collections to cover operating costs for Bienville Parish Tax Agency Fund of the Bienville Parish School Board.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement No. 14, the Bienville Parish Tax Agency Fund is an agency fund of the Bienville Parish School Board. Accordingly, the accompanying financial statement presents only the accounts of the tax agency fund and is not intended to present fairly the financial position and results of operations of the Bienville Parish School Board in conformity with accounting principles generally accepted in the United States of America. The Bienville Parish Tax Agency is included as part of the financial statements of the Bienville Parish School Board.

Fund Accounts - A fund is a separate accounting entity with a self-balancing set of accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures.

Funds are classified into one category, fiduciary. The category, in turn, is divided into separate "fund types." Fiduciary funds are used to account for assets held for others. The Tax Agency requires the use of fiduciary funds as described below:

Fiduciary Fund - The Bienville Parish Tax Agency Fund is used to account for the collection and distribution of sales and use taxes imposed by the various taxing authorities within the parish. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Basis of Accounting - The basis of accounting for an agency fund is the accrual basis. The measurement focus is custodial, since the fund is not involved with the performance of governmental services. An agency fund has no revenue or expenditures and therefore there is no fund balance or need to measure the results of operations for a period.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Deposits

At June 30, 2010, the Tax Agency had cash and cash equivalents (book balances) totaling \$333,563. Included in this amount \$333,382 is restricted assets. See Note 6.

Deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial Credit Risk – Deposits - The bank balance was \$486,159. In the case of deposits, this is the risk that in the event of a bank failure, the Tax Agency deposits may not be returned to it. The bank balance was exposed to custodial credit risk because it was uninsured and collateralized with security held by the pledging financial institutions trust department or agent but not in the Tax Agency name. Even though the pledge securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposed a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the Tax Agency the fiscal agent has failed to pay deposited funds upon request.

Note 3 Deposits due to Others

A summary of changes in deposits due to others for the year ended June 30, 2010, is as follows:

Beginning Balance	\$ 1,910,078
Additions	
Sales Tax Collections	20,082,888
Deductions:	
Taxes distributed to others:	
Bienville Parish School Board	5,257,061
Bienville Parish School Board Special	5,192,141
Bienville Parish Police Jury	5,192,142
Town of Arcadia	1,518,993
Town of Gibsland	97,498
Town of Ringgold	542,117
Village of Castor	47,777
Total deductions	<u>17,847,729</u>
Ending Balance	\$ <u>4,145,237</u>

Note 4 Accounts Receivable

The balance in accounts receivable represents sales tax collections in July 2010 for June 2010 sales. No allowance for doubtful accounts has been established as the Tax Agency collected these balances in full.

Note 5 Commitments and Contingencies

At June 30, 2010, the Bienville Parish Tax Agency was involved in litigation over \$285,112 in taxes paid under protest. The vendor alleges that no use tax is due because the equipment that was used in the parish had been acquired by the vendor outside the parish through nontaxable isolated or occasional sales transactions. It is the opinion of legal counsel for the Tax Agency that ultimate resolution of this lawsuit is uncertain and research is ongoing. If the Tax Agency wins, the taxes paid under protest plus statutory interest will be retained by the Tax Agency. If the Tax Agency loses, the taxes paid under protest plus statutory interest will be refunded to the vendor. There is another case involving the same situation with a different vendor that is not currently in litigation. Legal counsel feels the case will go in favor of the Tax Agency since a settlement offer has been made to the Tax Agency and negotiations are underway. The Tax Agency is also in a third sales tax dispute with several vendors. The vendors are currently being audited.

Note 6 Taxes Paid Under Protest

There is currently \$333,382 in taxes paid under protest, included in accounts payable. One vendor has paid \$285,112 in taxes under protest. Interest totaling \$5,026 has been earned since the taxes were placed in escrow. The vendor is protesting the taxes and the case is currently in litigation. The remaining \$43,244 is attributable to three companies that are protesting sales and use tax charges on compression services.

This amount includes interest earned since the funds were deposited in the escrow account. The cases for these three have been turned over to the District Attorney, but are not currently under litigation. Taxes paid under protest are being held in a separate bank account pending the outcome of the cases.

Note 7 Subsequent Events

Management of the Blenville Parish Tax Agency Fund has evaluated subsequent events through December 30, 2010, the date which financial statements were issued, concluding there were no events requiring disclosure

ROBERTS, CHERRY AND COMPANY

Certified Public Accountants, Consultants

Independent Auditor's Report

Board of Directors
Bienville Parish Tax Agency Fund
of the Bienville Parish School Board
Arcadia, Louisiana

We have audited the accompanying financial statement of the Bienville Parish Tax Agency Fund of the Bienville Parish School Board as of and for the year ended June 30, 2010, as listed in the table of contents. This financial statement is the responsibility of the Bienville Parish School Board's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bienville Parish Tax Agency Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statement presents only the Bienville Parish Tax Agency Fund and does not purport to, and does not, present fairly the financial position of the Bienville Parish School Board, as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the respective financial position of the Bienville Parish Tax Agency Fund of the Bienville Parish School Board as of June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated December 30, 2010, on our consideration of the Bienville Parish Tax Agency Fund internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


ROBERTS, CHERRY AND COMPANY

A Corporation of Certified Public Accountants
Shreveport, Louisiana
December 30, 2010

ROBERTS, CHERRY AND COMPANY
Certified Public Accountants, Consultants

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed
in Accordance With Government Auditing Standards**

Board Members
Bienville Parish Tax Agency Fund
of the Bienville Parish School Board
Arcadia, Louisiana

We have audited the financial statement of the Bienville Parish Tax Agency Fund of the Bienville Parish School Board as of and for the year ended June 30, 2010, and have issued our report thereon dated December 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As discussed in Note 1 to the financial statement, the financial statement of the Bienville Parish Tax Agency Fund is intended to present only the assets and liabilities of the Bienville Parish School Board that is attributable to the transactions of the Bienville Parish Tax Agency Fund.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Bienville Parish Tax Agency Fund of the Bienville Parish School Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Bienville Parish Tax Agency Fund of the Bienville Parish School Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bienville Parish Tax Agency Fund of the Bienville Parish School Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2010-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as Finding 2010-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bienville Parish Tax Agency Fund of the Bienville Parish School Board's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board, management, others within the entity, Bienville Parish Police Jury, the Town of Arcadia, the Town of Ringgold, the Town of Gibsland, and the Village of Castor, and is not intended to be and should not be used by anyone other than these specified parties. Although its intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.


ROBERTS, CHERRY AND COMPANY

A Corporation of Certified Public Accountants
Shreveport, Louisiana
December 30, 2010

**Blenville Parish Tax Agency Fund
of the Blenville Parish School Board**

**Schedule of Findings and Responses
June 30, 2010**

2010-1 Untraceable Adjustments

Criteria or Specific Requirement: Effective internal controls should provide an audit trail for any adjustments or deletions that are made in the system. Any adjustments to the vendor delinquent accounts should be made only after proper authorization and an audit trail should exist to confirm the authorization process.

Type of Finding: Material weakness

Condition: We noted that there is not an adequate review process over file maintenance changes or adjustments of delinquent status of vendors. There is no audit trail of maintenance changes to vendor accounts that can be reviewed to ensure that any changes are proper.

Effect: Internal controls over review of file maintenance changes and adjustments are ineffective.

Cause: Computer software does not allow an audit trail of these adjustments.

Recommendation: We recommend the School Board assign responsibility for the business manager to approve all vendor maintenance changes and we recommend that the School Board request the software vendor for an acceptable upgrade to enable an audit trail of all adjustments made.

Management's Corrective Action Plan: We will request that the business manager review all vendor maintenance changes and contact the software provider to request an upgrade be implemented that would produce a trail of all vendor maintenance changes as well as a trail of all delinquent status removals.

2010-2 Unauthorized Access to Sales Tax Module

Criteria or Specific Requirement: Proper internal controls should be in place to limit unauthorized access to the sales tax computer records.

Type of Finding: Significant deficiency

Condition: We noted several School Board employees had access to the sales tax module and had the ability to make file maintenance changes.

Effect: Various School Board employees have the ability to modify vendor delinquent account status and make file maintenance changes. This effectively has compromised this aspect of the internal control environment over the sales tax agency.

Cause: Access rights to software modules have not been appropriately reviewed and restricted to authorized users only.

Recommendation: We recommend management review access rights to all financial accounting modules and ensure that only essential employees have access to the modules necessary to perform their assigned job functions.

Management's Corrective Action Plan: Management will review access rights for all employees and make the necessary corrections.

**Bienville Parish Tax Agency Fund
of the Bienville Parish School Board**

**Summary Schedule of Prior Year Findings
June 30, 2010**

09-F1 Payments to Taxing Bodies (year of origination - 2009)

Condition - We sent government remittance confirmations to the taxing bodies to determine if the amounts per the Sales Tax agency records were recorded correctly and that the proper amounts were being reported to the taxing bodies. Five of the seven taxing bodies reported differences in their records and those of the sales tax agency. Review of the confirmations and the sales tax records revealed that the sales tax agency did not include the amounts withheld from the remittance for audit fees.

Current status - Corrective action was taken to resolve this finding.

09-F2 Delinquent Accounts (year of origination - 2008)

Condition - The delinquent accounts are only being reviewed about twice a year and only a small percentage of delinquent letters were mailed to vendors. The delinquent file which was printed was approximately 300 pages and included delinquent payments, discounts not taken, and other variances. When questioned about the large number of vendors listed in the file, the sales clerk stated that most probably needed to be written off due to errors but she didn't have the time to research all of them.

Current status - Corrective action was taken to resolve this finding.

09-F3 Untraceable Adjustments (year of origination - 2008)

Condition - Once a batch of collections is entered, a report is printed which shows all debit and credit memos created by the system. Each debit or credit memo is assigned a unique number to identify the memo. Once the report is printed the sales tax clerk reviews the report and deletes any debit memos which were issued by the system but are not applicable due to a timing difference because the postmark date might indicate that the sales tax remittance was mailed by the deadline but was not received until after the deadline of the 20th of the month. These deletions are not approved or authorized by a supervisor. A new report is printed after the deletions listing the debit/credit memos to be mailed to vendors. Once deletions of these memos are made, the system no longer stores the information. The sales tax clerk does not keep any of the reports printed either before or after the deletions are made. There is no listing maintained for the year which contains all of the debit and credit memos issued by the sales tax agency; therefore adjustments could not be reviewed in the audit process.

Current status - Unresolved, see current year finding 2010-1.

09-F4 Late Payments to Taxing Bodies (year of origination - 2009)

Condition - Because the Sales Tax agency does not remit daily, a batch was chosen from a check run to determine if the payments to the taxing bodies were made timely and if the proper amounts were paid to the proper taxing body. A total of ten batches were tested and two of the payments to the taxing bodies were not made timely. One payment was for the period 09/22/08 through 09/30/08 and the checks were not issued until 10/10/08. A second payment was for the period 02/15/09 through 02/20/09 and the checks were not issued until 03/02/09. Both payments were made ten days after the initial deposit.

Current status - Corrective action was taken to resolve this finding.